

**REPORT OF THE AUDIT OF THE  
CARLISLE COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARLISLE COUNTY CLERK**

**For The Year Ended  
December 31, 2003**

The Auditor of Public Accounts has completed the Carlisle County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

Excess fees increased by \$5,590 from the prior year, resulting in excess fees of \$5,590 as of December 31, 2003. Revenues decreased by \$25,902 from the prior year and expenditures increased by \$31,492.

#### **Report Comment:**

- Lacks Adequate Segregation Of Duties

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities.



## CONTENTS

PAGE

|   |    |
|---|----|
| INDEPENDENT AUDITOR'S REPORT.....   | 1  |
| STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS .....   | 3  |
| NOTES TO FINANCIAL STATEMENT .....  | 6  |
| COMMENT AND RECOMMENDATION .....  | 11 |
| REPORT ON COMPLIANCE AND ON INTERNAL CONTROL<br>OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL<br>STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS ..... | 15 |





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Roberts, Carlisle County Judge/Executive  
The Honorable Theresa Owens, Carlisle County Clerk  
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Carlisle County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable John Roberts, Carlisle County Judge/Executive  
The Honorable Theresa Owens, Carlisle County Clerk  
Members of the Carlisle County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Carlisle County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 8, 2004



CARLISLE COUNTY  
THERESA OWENS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

|  |    |         |           |
|--|----|---------|-----------|
| State Fees For Services                    |    | \$      | 2,598     |
| Fiscal Court                               |    |         | 31,893    |
| Licenses and Taxes:                        |    |         |           |
| Motor Vehicle-                             |    |         |           |
| Licenses and Transfers                     | \$ | 156,907 |           |
| Usage Tax                                  |    | 509,510 |           |
| Tangible Personal Property Tax             |    | 329,636 |           |
| Ad Valorem Tax Liens                       |    | 1,135   |           |
| Licenses-                                  |    |         |           |
| Fish and Game                              |    | 10,705  |           |
| Marriage                                   |    | 1,553   |           |
| Deed Transfer Tax                          |    | 6,849   |           |
| Delinquent Tax                             |    | 11,457  | 1,027,752 |
| Fees Collected for Services:               |    |         |           |
| Recordings-                                |    |         |           |
| Deeds, Easements, and Contracts            | \$ | 4,999   |           |
| Real Estate Mortgages                      |    | 8,318   |           |
| Chattel Mortgages and Financing Statements |    | 19,971  |           |
| All Other Recordings                       |    | 5,728   |           |
| Charges for Other Services-                |    |         |           |
| Copywork                                   |    | 222     | 39,238    |
| Other:                                     |    |         |           |
| Postage                                    | \$ | 297     |           |
| Lienholder Penalties                       |    | 178     |           |
| VTR Preparation                            |    | 941     |           |
| Miscellaneous                              |    | 37      | 1,453     |
| Interest Earned                            |    |         | 262       |
| Total Revenues                             |    | \$      | 1,103,196 |

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
THERESA OWENS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2003  
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 126,876

Usage Tax 494,201

Tangible Personal Property Tax 138,629

Licenses, Taxes, and Fees-

Fish and Game 10,404

Delinquent Tax 1,443

Legal Process Tax 5,410 \$ 776,963

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 35,487

Delinquent Tax 1,916

Deed Transfer Tax 6,506 43,909

Payments to Other Districts:

Tangible Personal Property Tax \$ 142,335

Delinquent Tax 4,688 147,023

Payments to Sheriff 821

Payments to County Attorney 1,412

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 58,476

Contracted Services-

Contract Labor 661

Printing and Binding 1,035

Materials and Supplies-

Office Supplies 645

Other Charges-

Conventions and Travel 541

Postage 185

Refunds 100 61,643

Total Expenditures \$ 1,031,771

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
THERESA OWENS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2003  
(Continued)

|   |    |              |                 |
|---|----|--------------|-----------------|
| Net Revenues                                    |    | \$           | 71,425          |
| Less: Statutory Maximum                         |    |              | <u>59,199</u>   |
| Excess Fees                                     |    | \$           | 12,226          |
| Less: Expense Allowance                         | \$ | 3,600        |                 |
| Training Incentive Benefit                      |    | <u>3,036</u> | <u>6,636</u>    |
| Excess Fees Due County for 2003                 |    | \$           | 5,590           |
| Payments to Fiscal Court - February 4, 2004     |    |              | <u>5,590</u>    |
| Balance Due Fiscal Court at Completion of Audit |    | \$           | <u><u>0</u></u> |

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$10,147. No grant funds were expended during the year. The unexpended grant balance was \$10,147 as of December 31, 2003.

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COMMENT AND RECOMMENDATION





CARLISLE COUNTY  
THERESA OWENS, COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2003

Lacks Adequate Segregation Of Duties

The County Clerk's office has a lack of segregation of duties. The County Clerk performs all bookkeeping functions. The County Clerk has statutory authority to assume the role as custodian of monetary assets as well as recorder of transactions and preparer of financial statements. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Clerk should require an employee to periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. One way to document this control would be to have the employee initial the bank deposit, daily deposit, and receipts ledger.
- The Clerk should require an employee to compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Clerk should also have this employee compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. The Clerk could document this by having the employee initial the quarterly financial report.
- The Clerk should have an employee periodically compare invoices to payments. The Clerk could document this by having the employee initial the invoices.
- The Clerk should have an employee periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Clerk could document this by having the employee initial the bank reconciliation and the balance in the checkbook.

*County Clerk's Response:*

*None.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Roberts, Carlisle County Judge/Executive  
The Honorable Theresa Owens, Carlisle County Clerk  
Members of the Carlisle County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Carlisle County Clerk for the year ended December 31, 2003, and have issued our report thereon dated July 8, 2004. This was a special report on the County Clerk's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carlisle County Clerk's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carlisle County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 8, 2004

